

Fraud Awareness Newsletter

Volume 97-11

August 1-31, 1997

Courtesy of the
Department of Defense
Office of the Inspector General
Defense Criminal Investigative Service
Central Field Office



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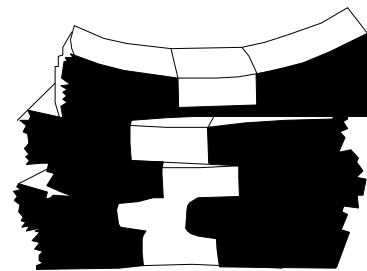
Repair Fraud

A one-count information was filed against TCMG, Incorporated, Centerville, OH, and TCMG employees Bradley Coffee and Jeremy Coffee charging all with conspiracy to commit mail fraud. The Coffees and TCMG allegedly conspired to sell avionics antennae they represented as having been overhauled by a Federal Aviation Administration (FAA) authorized repair station. An investigation revealed that all repairs were allegedly performed by TCMG, which is not authorized by the FAA to perform repair functions; overhaul procedures do not exist for some of the overhauled antennae sold by TCMG; and the defendants sold obsolete avionics antennae they represented as the latest model. These antennae have applications on commercial and military aircraft. Special Agent John Davis, Northeast

Field Office (FO), is conducting the investigation with the FBI and the Department of Transportation (DoT).

Product Substitution

A one-count information was filed against Arjay Electronics Corporation (Arjay), Havertown, PA, and Stephen Hasson, its owner, charging them with mail fraud. Hasson and Arjay allegedly obtained surplus and re-manufactured electrical connectors and then sold them as new connectors to the Government and private entities. The connectors are critical application parts used in commercial and military aircraft and military submarines and missile systems. Special Agent John Hoffman, Northeast FO, is conducting the investigation jointly with the FBI.



Bribery

Louis Alderete, a Defense Re-utilization and Marketing Service (DRMS) employee on Kelly Air Force Base, San Antonio, TX, pled guilty to one count of bribery. While performing his duties in the scrap metals section of the DRMS, Alderete accepted a \$600 bribe from an individual at

Prosecutions Witness Tampering

An indictment was returned against Frances G. Sternberg in Kansas City, KS, charging her with witness tampering. Frances Sternberg is the wife of Dr. David Sternberg who was previously indicted for mail fraud and money laundering. In July 1997, Frances Sternberg contacted the rabbi of a witness scheduled to testify against her husband. She allegedly used intimidation, corrupt persuasion and misleading conduct toward the rabbi to influence or prevent the testimony of the witness. Special Agent Troy Bird, Kansas City Resident Agency (RA), is conducting the investigation jointly with the Federal Bureau of Investigation (FBI).

the DRMS to purchase scrap metals. In return, Alderete placed high value precious metals in the scrap materials the individual purchased. Special Agent Kirby Rogers, San Antonio Post of Duty (POD), conducted the investigation with the FBI and the U.S. Customs Service.



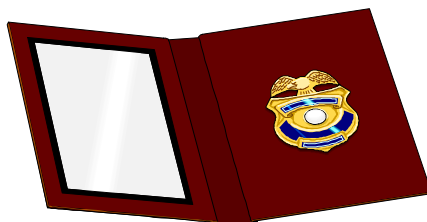
Sentences Ambulance Service

Anthony L. Hester, owner of Doctor's Professional Ambulance Service, was sentenced in Houston, TX, to 63 months incarceration, 36 months probation, \$1,697,465 in restitution and a \$200 special assessment for mail fraud. Hester caused false claims to be mailed to various insurance carriers, including the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). The false claims were for ambulance transportation and related medical services in the amount of \$2,697,465. Special Agent George Fifer, Houston RA, conducted the investigation jointly with the Department of Veterans Affairs, the U.S. Postal Inspection Service and the Department of Health and Human Services (HHS).

Kickbacks

Carl Edwards, Villas, NJ, former meat manager for Thriftway

Supermarket, was sentenced to 5 years probation, 100 hours community service, a \$1,000 fine and a \$100 special assessment. Edwards previously pled guilty to mail fraud and filing a false tax return. From 1992 to 1995, Edwards received nearly \$40,000 in kickbacks from a salesman of Butler Foods, Philadelphia, PA, in return for ordering products from the company. The investigation is continuing into alleged bribery and kickback payments by representatives of Butler Foods to commercial and DoD food managers. Special Agent Heather Zimmerman, Northeast FO, conducted the investigation jointly with the FBI and the Internal Revenue Service (IRS).



Health Care Fraud

Daniel S. Clifton, a mental health counselor in Yuma, AZ, pled guilty to three counts of theft of public money. He was then sentenced to 60 months probation, to pay \$21,112 in restitution and a \$375 special assessment fee. In addition, Clifton is excluded as an authorized provider for federally-funded programs, to include CHAMPUS, for 60 months. Clifton performed outpatient psychotherapy services, then submitted CHAMPUS claims for the services under the provider number of Ashley B. Hart II, a Ph.D.

level CHAMPUS provider. Clifton stated the patients were referred for counseling by a physician. Under CHAMPUS regulations, Clifton needed a physician's referral prior to counseling patients, while a physician's referral is not required for a Ph.D. level counselor. Special Agent Janice Flores, Phoenix RA, conducted the investigation jointly with the FBI.



Health Care Fraud

cial Agent Jay Strauch, Columbus RA, conducted the investigation with other task force members that include the FBI, the IRS, the HHS, the U.S. Postal Inspection Service and Dr. Wayne R. Clayman, a licensed podiatrist, was sentenced in Columbus, OH, to 6 months incarceration, 2 years supervised release, \$36,612 restitution and a \$50 special assessment. Clayman previously pled guilty to money laundering in connection with false claims submitted to CHAMPUS and private insurance programs. An investigation determined that Clayman billed for foot surgeries that were unnecessary, not performed or upcoded from lesser procedures. As part of his plea agreement, Clayman agreed to make a series of fraud awareness briefings, in conjunction with law enforcement, to podiatry students attending the Ohio School

of Podiatry and other similar groups. See the Ohio Attorney General Medicaid Fraud Unit.



Credit Card Misuse

Richard Gerald Carroll, Quarryville, MD, was sentenced to 1 year's probation, 60 hours of community service, a \$2,000 fine and ordered to pay \$800 in restitution for conspiring to steal Government property. Carroll, a former employee of the Army Research Laboratory (ARL), Aberdeen Proving Ground, Aberdeen, MD, charged personal items on a Government credit card. The items--truck tires, a 2-ton jack and an upgraded kitchen sink--were purchased through a vendor by using false purchase orders created to indicate the items related to official ARL business. Special Agent Harry Armstrong, Baltimore POD, conducted the investigation jointly with the FBI and the U.S. Army Criminal Investigative Command (USACIDC).

Civil Information Health Care Fraud

An amended civil complaint was filed against the National Consulting Group, Incorporated, also known as the National Recovery Institute Group (NRIG), Fort Lauderdale, FL. The NRIG allegedly defrauded CHAMPUS and the Florida Medicaid program by submitting false claims for patients who were enrolled in the NRIG substance abuse facilities. The suit seeks treble dam-

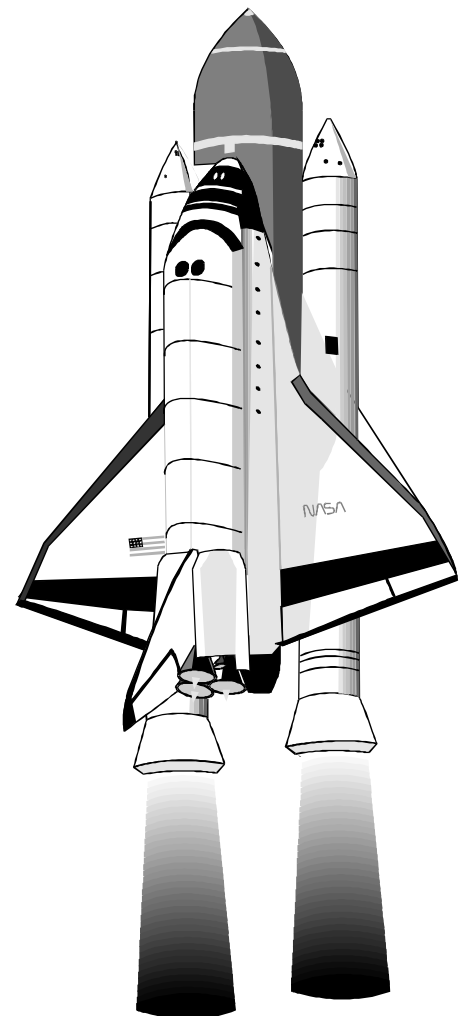
ages of \$6.9 million based on actual damages in excess of \$2.3 million. Special Agent Geoffrey Cherrington, Fort Lauderdale POD conducted the investigation with assistance from the Medicaid Fraud Control Unit of the Florida Attorney General's Office.



Civil Settlement Cost Mischarging

A \$1 million settlement was reached with EER Systems Corporation (EER), Seabrook, MD. The Government alleged that EER, an engineering design and integration company, violated the Civil False Claims Act by improperly shifting labor costs from several fixed price Government contracts to an overhead account. From 1989 to 1991, EER instructed its employees to improperly charge labor hours from several Government contracts to an overhead account. The EER subsequently billed the Govern-

ment for costs associated with the overhead account resulting in overpayments of approximately \$422,000. The EER has denied liability but agreed to pay the settlement amount. The Government agencies affected by EER's actions include the DoD, the National Aeronautics and Space Administration (NASA) and the DoT. Special Agent John Swift, Mid-Atlantic FO, conducted the investigation jointly with other task force members from NASA and DoT, and with audit assistance from the Defense Contract Audit Agency.





To report suspected fraud involving to Department of Defense or to comment on this newsletter please contact the nearest Defense Criminal Investigative Service office. The addresses and telephone numbers of the offices that are part of the Central Field Office are listed below.

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